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THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

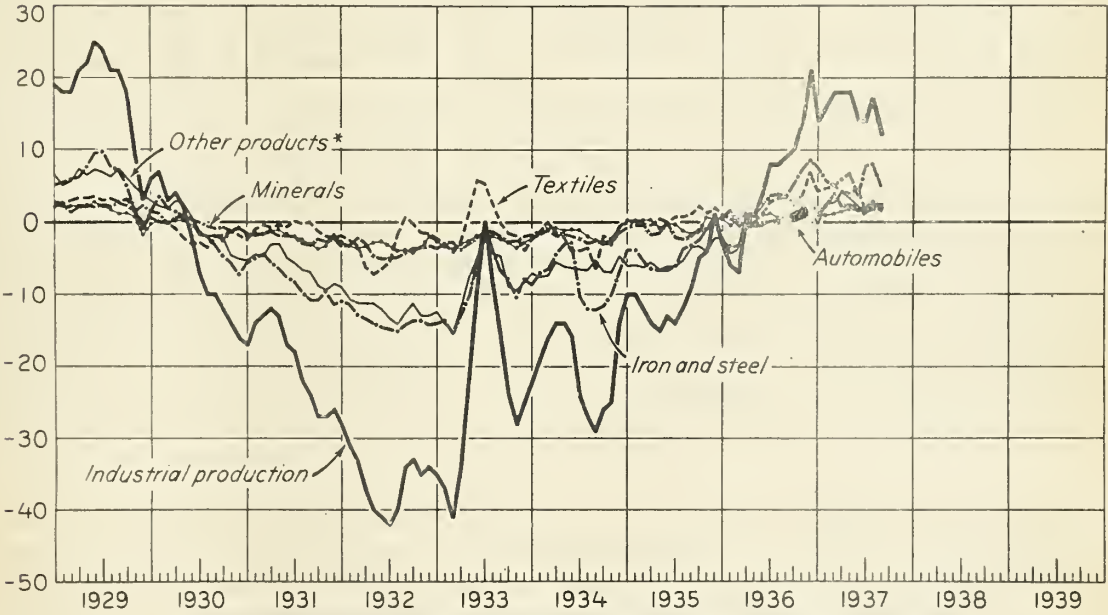
WASHINGTON, D.C.

NOVEMBER 1937

: THIS ISSUE OF THE DEMAND AND PRICE SITUATION CONTAINS :
: ABSTRACTS OR SUMMARIES OF THE ANNUAL OUTLOOK REPORTS FOR :
: THE RESPECTIVE COMMODITIES, AND FOR DEMAND, ISSUED THIS :
: MONTH BY THE BUREAU OF AGRICULTURAL ECONOMICS. IN ADDITION, :
: THERE ARE INCLUDED ANY IMPORTANT DEVELOPMENTS IN THE SHORT- :
: TIME OUTLOOK SINCE LAST MONTH'S ISSUE. :

CONTRIBUTION OF SELECTED INDUSTRIES TO CHANGES IN FEDERAL RESERVE INDEX OF INDUSTRIAL PRODUCTION, 1929 TO DATE

1923-25 = 0



DUE TO METHOD OF COMPUTING INDEX NUMBERS OF INDUSTRIAL PRODUCTION, THE LINES SHOWN IN THIS CHART ARE ONLY APPROXIMATIONS OF THE RESPECTIVE CONTRIBUTIONS OF THE SEVERAL INDUSTRIES

* FOOD PRODUCTS, PAPER AND PRINTING, LOCOMOTIVES, LEATHER PRODUCTS, CEMENT AND GLASS, NONFERROUS METALS, MANUFACTURED FUELS, RUBBER TIRES AND TUBES, AND TOBACCO PRODUCTS

U. S. DEPARTMENT OF AGRICULTURE

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THE HEAVY SOLID LINE SHOWS PERCENTAGE DEVIATIONS OF THE FEDERAL RESERVE INDEX NUMBERS OF INDUSTRIAL PRODUCTION FROM THE 1923-25 AVERAGE. EACH OF THE OTHER LINES SHOWS THE EXTENT TO WHICH THE INDEX NUMBER OF INDUSTRIAL PRODUCTION DEVIATED FROM THE 1923-25 AVERAGE DUE TO CHANGES IN OUTPUT OF THE PARTICULAR PRODUCT. IN OTHER WORDS, THEY SHOW HOW MUCH EACH INDUSTRY CONTRIBUTED TO THE FLUCTUATIONS OF THE INDEX NUMBER REPRESENTING TOTAL INDUSTRIAL PRODUCTION.

This issue of the Demand and Price Situation contains abstracts or summaries of the annual outlook reports for the respective commodities, and for demand and wholesale prices. In addition, there are included any important developments in the short-time outlook since last month's issue. A printed digest of the 1938 Farm Outlook report may be obtained upon request to the Bureau of Agricultural Economics.

DOMESTIC DEMAND
(Abstract from Annual Outlook)

The domestic demand for farm products probably will not be as favorable in 1938 as in 1937. This outlook is based upon prospective trends in industrial activity, consumer incomes and the general price level. Since 1933 industry has been experiencing a general cyclical rise, which has been halted in the fall of 1937. Although it is impossible to determine definitely to what extent the present recession will continue into 1938, the chances appear to be against a sufficiently early and vigorous rise to bring the averages of industrial activity and of consumer incomes for 1938 up to those for 1937.

The general upswing of a major business cycle usually is characterized by shorter periods of recession during which business sentiment becomes less optimistic, security prices decline, business men postpone extensive commitments, and the general uncertainty leads to hesitant buying by potential consumers of many products. Stocks of finished and semi-finished merchandise may accumulate in dealers' hands, and orders received by manufacturers decline as buying is placed on a hand-to-mouth basis. Business has entered such a phase in the latter part of 1937, as a result of conditions which have been discussed in recent issues of the Demand and Price Situation. There is reason to believe, however, that this recession does not mark the beginning of a severe and prolonged depression.

Many of the conditions which in the past have been associated with the termination of a major cyclical upswing in business activity now are absent. Business debts are low, credit is cheap and plentiful, banking resources are not strained, there is no building boom, and there has been an absence of violent speculation of the type which frequently precedes the end of a business boom. The needs for further expansion or rehabilitation of plant and equipment in many industries, together with relatively low interest rates, should eventually lead to further use of credit for such purposes. Apparently we are in the advancing phase of a building cycle, which indicates that the present slackening in this industry is only temporary. The large volume of gold in excess of requirements removes any danger that expansion of business might be checked by a deficiency in the monetary gold base. These longer time influences in the general situation are expected by many business forecasters to carry industrial activity and prices to levels higher than any reached so far during the recovery, before the present major cyclical upswing is ended. The general impetus of this forward movement is counted upon to carry industry through any minor recessions which may develop as a result of more temporary conditions.

In view of the recession now in progress, however, it seems probable that industrial production in 1938 will average below the level of 1937, when it was about 115 percent of the 1923-25 average and about 10 percent higher than in 1936. Conditions during the second half of the year probably will be more favorable than the first half. The national income for 1938 also is expected to be below the high level which prevailed in 1937, tentatively estimated to be about 69 billion dollars. Since the domestic demand for farm products depends largely upon the purchasing power of consumers and industrial activity, it is not expected to be as good on the average in 1938 as in 1937, with some improvement probable in the latter part of the year as compared with the first part.

FOREIGN DEMAND (From the Annual Outlook Report)

Foreign demand for American agricultural products is expected to show little, if any improvement in 1938. Due partly to shorter supplies of some commodities in foreign countries and larger supplies available for export in the United States, however, the volume of agricultural exports from this country during the remainder of 1937 and the first half of 1938 is expected to be materially larger than a year earlier. This larger volume is expected to move into export channels at lower average prices than in 1937.

Industrial activity in foreign countries continued to improve through the first part of 1937. In 1936, activity was 6 percent higher than in 1935 and during the first 6 months of 1937 was 11 percent higher than in the corresponding period of 1936. Indications point to a leveling off during the latter half of 1937, with both July and August levels showing declines. A very important though unmeasurable part of the improvement in world industrial activity and world trade during the past year or more has been due to rearmament. A continuation of rearmament programs would help to maintain world industrial production and world trade in 1938 at relatively high levels.

The improvement in industrial activity and world trade has taken place in the face of relatively high trade barriers and has in itself contributed to some reduction in these barriers. During the past year there have been a number of reductions in import duties and charges and a loosening of quantitative control of imports in several countries. For example, most European importing countries have reduced their import barriers on wheat, and France and Italy made reductions in import duties on a number of products coincident with currency devaluation. An example of more general progress in this direction is the new Oslo convention whereby the Netherlands, Belgium, Luxemburg, Denmark, Sweden, Norway, and Finland agree to reciprocal reduction of quantitative import restrictions and agree not to increase certain tariffs. This agreement is open to other countries. Another outstanding example of influences in the direction of lower world trade barriers is to be found in the trade agreements program of the United States. Some further relaxation of trade barriers is in prospect during 1938-39, partly because of the sheer need of countries for each other's products. It must not be overlooked, however, that a strong tendency toward self-sufficiency in a number of countries continues to exist.

One of the most uncertain elements in the foreign demand situation is the military conflict in the Orient, which is resulting in a reduction in our trade with that area. Although the extent and duration of these military activities cannot be determined at this time, it is probable that in any event our trade with China and Japan in 1938 will be seriously curtailed by the effects of the conflict on the financial conditions of those countries, and the disruption of the normal conduct of commerce and industry. This is of special significance with respect to cotton and tobacco.

WHOLESALE PRICES (From the Annual Outlook Report)

The level of wholesale prices in the United States is expected to be lower on the average in 1938 than in 1937, with prospective lower prices for raw materials, farm products and some kinds of manufactured goods more than offsetting higher prices for some lines of finished and semi-finished products. The trend of wholesale prices in the United States has been downward since April, following an irregular upward trend for 4 years. The price dispersion among commodity groups, which was very large in 1933 as compared with 1926, had practically disappeared by early 1937, but has increased again in recent months. The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products exceeded the pre-war level in the first quarter of 1937, but it has declined considerably since March. The decline in wholesale prices since April has been due in considerable measure to the recession in prices of farm products resulting partly from a more nearly normal production in 1937 than in the drought year of 1936.

Prices in some major foreign countries have been advancing sharply for a little more than a year, although a tendency to level off recently has been evident in some countries. Prices in France rose more rapidly than in other foreign countries, with a total advance of 66 percent since June 1936, due partly to currency devaluation and partly to the newly adopted social legislation and reduced hours of labor per week. Prices in the Netherlands and Japan advanced next in order since June 1936 (25 and 23 percent, respectively) whereas prices in Germany have risen only 2 percent because of governmental price control. Higher prices are probable next year in France and Japan, whereas prices in England and some other countries may be a little lower. Consequently, price movements in foreign countries are not likely to have any great effect upon prices in the United States.

FARM PRICES AND INCOME (From the Annual Outlook Report)

The general level of farm prices reached its recovery high in January 1937 at 131 percent of the pre-war average in part because of reduced production on account of last year's drought. The trend has been downward since January and in October the index number of farm prices was 112 compared with 121 a year earlier. Farm prices are expected to average lower in 1938 than in 1937, due partly to larger production resulting from increased per acre yields.

With the changes in prices and marketings now in prospect, it seems probable that income from farm marketing in 1938 will be lower than in 1937. Income from Government payments under existing legislation, including those to cotton producers on account of the crop of 1937, will be greater. Taking into account both income from marketings and Government payments, cash farm income in 1938 may be somewhat less than in 1937. In the early months of 1938 larger volumes of crop and livestock marketings may offset decreases in prices. Marketings of farm products during the remainder of 1938 will depend to a large extent upon next year's crop outturn, but if domestic demand is near that for the corresponding period of 1937 any change in the supply of farm products may be about offset by an opposite change in price, thus maintaining income during this period fairly close to the level that prevailed in the corresponding period of 1937. This year, however, short wheat crops in other countries coincided with a heavy production in the United States, increasing the income from this commodity. Possible return to more nearly normal relationships in 1938 may reduce the income from this item in an amount sufficient to more than offset increases for some other products, thus causing farm income in the last half of the year to be somewhat less than in the same part of 1937.

Prices paid by farmers for commodities in October were about 128 percent of pre-war, one point higher than a year earlier. The ratio of prices received to prices paid by farmers in October was 88 percent of the pre-war average, compared with 91 in September and 95 in October 1936. Some advance in prices paid by farmers may occur during 1938 so that the buying power of farm income in 1938 may not be as high as in 1937.

WHEAT

Prices of wheat and income to United States wheat growers from the 1938 crop may be materially lower than during the current marketing season, unless world production in 1938 is again small or demand increases beyond present indications. Should about average yields per acre be obtained on the large world acreage, world wheat production in 1938 would be in excess of prospective world requirements, and carry-over stocks in the summer of 1939 would again be above the average that prevailed prior to the accumulation of stocks in 1929-33. Nearer average production in other countries would probably result in the United States export situation not being as favorable as for the 1937 crop.

If wheat growers respond to the relatively high prices this year as they have in the past, it is probable that the acreage seeded for the 1938 harvest will not differ greatly from the 81 million acres seeded for this year's crop, the largest seeded acreage in the history of the country. An acreage of this size, with average yields, would produce a crop of more than a billion bushels. About 660 million bushels are used annually in the United States, and with average yields could be produced on about 56 million acres. Even if exports reach the estimated 95 million bushels this year, the domestic carry-over on July 1, 1938, would be about 100 million bushels larger than in 1937.

Prices in Liverpool declined during the first half of October, influenced by continued slow demand, the beginning of harvesting in Argentina, and the heavy shipments of Russian wheat. During the last half of October, however, prices reacted with increased inquiry, and concern over the crop in Argentina, where rains delayed harvesting of the early crop and frost damage occurred. Prices in domestic markets did not follow the strength in Liverpool during the last half of October, being independently influenced by continued small exports of United States wheat and the slump in the stock market. On November 10 and 11 general frosts throughout southern and western portions of the Argentine wheat belt damaged the wheat crop, but the extent of the injury is not yet known. Wheat prices during the next few months will depend largely on European demand, crop and harvesting prospects in Argentina and Australia, Soviet Russia's policy regarding exports, winter wheat prospects, and general business sentiment.

CORN AND OTHER FEED CROPS

Supplies of both forage crops and feed grains will be more than sufficient in most of the important feeding areas of the Middle West to furnish ample rations for the livestock now on farms. The October 1 feed grain supplies (including October 1 stocks of oats and corn and the November 1 estimated production of corn, barley, and grain sorghums) amounted to 99 million tons, which compares with 65 million tons on that date last year and 101 million tons for the 1928-32 average. The number of grain consuming animal units is estimated to be around 10 percent below the 1928-32 average and hog numbers to be about 25 percent below this average. Corn supplies are larger than in any recent year, and practically the same as the 1928-32 average. Larger supplies of feed grains per animal are expected to result in heavier feeding of livestock now on farms. But even after allowing for this increased feeding, the carry-over of feed grains, especially corn, at the end of the 1937-38 marketing year may be well above average.

The general level of feed grain prices will average considerably below the high levels of 1934-35 and 1936-37. The level of corn prices is expected to be not greatly different from 2 years ago, the price of oats may average slightly higher, and the price of barley materially higher. Livestock-feed price ratios are expected to be favorable to livestock producers during the coming winter and spring, and may remain favorable for another 2 or 3 years, if feed grain production continues near average.

The weekly average cash price of No. 3 Yellow corn at Chicago declined from \$1 per bushel for the week ended October 2 to 55 cents for the week ended November 6. Early maturity and earlier marketing of corn this year have caused corn prices to decline earlier than usual and it now appears that prices are about adjusted to a new crop basis. There has been little change in the prices of oats and barley during the past month.

RICE

Supplies of United States rice for 1937-38 exceed those for any other year for which records are available. Supplies of southern rice are the largest on record and are about 2,500,000 barrels in excess of the 1936-37 utilization. Supplies in California also exceed those of any other year as the result of a record crop and a fairly large carry-over, despite special marketing programs designed to increase domestic utilization and exports.

Some increase in utilization is expected during the 1937-38 season. Domestic consumption may show further slight gains, influenced principally by lower rice prices, and takings by insular possessions may be somewhat above those of 1936-37, if water shipments are not restricted by labor difficulties. Indications are that exports will exceed those of last season under the inducement of preferential Cuban duties on American rice, some relaxation in trade restrictions in other importing countries, and firmer markets on southeastern Asiatic rices, as the result of smaller supplies and the disturbed political situation in the Orient.

It is unlikely, however, that exports and domestic utilization will expand enough to offset the increase in supplies, and burdensome carry-over stocks at the close of the season are again in prospect

The Louisiana farm price of rice on October 15 was 18 cents per bushel below the price on that date last year. The price of No. 1 Paddy in California was quoted early in November at \$1.35 per 100 pounds, which is 23 cents below prices at that time last year. Prices of Blue Rose and Early Prolific rice at New Orleans declined somewhat more with the harvesting of the 1937 crop than prices of long grains. The prospects for this year's crops were changed only slightly during October, and the November 1 estimate of the United States production was 52.2 million bushels, or 9.4 million bushels above the 1928-32 average. It was reported in the first week of November that harvesting of the new crop was practically completed in the Southern States, and about 70 percent of the crop had been harvested in California. Exports of rice during August and September totaled 57 million pounds, which were the largest on record for these 2 months, and which compare with only 64 million pounds for the entire 1936-37 marketing year.

COTTON

The spot price of middling 7/8" cotton at the 10 markets during 1936-37 averaged 12.70 cents, or more than 1 cent a pound higher than the 1935-36 average. During the last few months prices have declined considerably, and in October and early November were below 8 cents. Associated with this sharp decline in cotton prices were the prospective increase in supplies of cotton, declining cotton consumption and increasing stocks of cotton textiles in the United States, a sharp curtailment in cotton purchases by Japan, and marked declines in prices of many other commodities and securities.

World supply of all kinds of cotton for the 1937-38 season is expected on the basis of conditions in early November to be about 51,400,000 bales. This is 16 percent larger than the record supply of last season and one-third larger than the average for the 5 years 1928-29 to 1932-33. The world supply of American cotton is expected to be about 24,200,000 bales which is 25 percent larger than in 1936-37, but 8 percent less than the peak supply of 1932-33. This very large supply of American cotton is due chiefly to the record breaking crop of 18,243,000 bales. The world supply of foreign cotton in 1937-38 is expected to reach a new peak of 27,200,000 bales for the fifth consecutive year.

The 1938 United States acreage goal under the Agricultural Conservation program has been set at about 28,000,000 acres. This acreage, with yields equal to the average for the last 4 years, would give a crop about 7 million bales less than the production of the current season. This probably would mean a smaller world supply of American cotton in the 1938-39 season in spite of the expected large increase in carry-over of American on August 1, 1938.

World consumption of all kinds of cotton in 1936-37 amounted to a record high of 31 million bales. World consumption of American cotton of 13,100,000 bales was slightly larger than in 1935-36 but below the 5-year average. Utilization of foreign cotton was 18 percent larger than in 1935-36 and 65 percent more than in the 5 years ended 1932-33. Consumption of American cotton in the United States was the largest on record, but utilization of American in foreign countries was the smallest in many years due to the extremely large consumption of foreign growths.

Consumption of cotton in the United States in 1937-38 probably will be smaller than in 1936-37. Total cotton consumption in foreign countries as a whole is being affected by military operations in the Orient, but increased supplies and lower prices of American relative to other growths in the early part of the current season are favorable to an increase in the proportion of American cotton consumed in foreign countries in 1937-38.

WOOL

Most factors in the wool situation now indicate that domestic wool prices in 1938 may average lower than in 1937. World supplies of wool in 1938 probably will be slightly larger than in the present year although they will be below average. Mill consumption of wool in this country and possibly in some foreign countries in 1938 is expected to be smaller than in the present year. Wool prices are now rather high in relation to prices of other textile raw materials.

The total supply of apparel wool in the United States on October 1 was estimated to be about 15 percent larger than a year earlier, but it was smaller than in most other recent years. Since stocks of such wool held by dealers and manufacturers in late September were only about 5 percent larger than a year earlier, the quantity of wool held in the producing States on October 1 apparently was larger than on October 1 last year. At the beginning of October apparent supplies of wool for the 1937-38 selling season in the five principal producing countries of the Southern Hemisphere were slightly larger than a year earlier.

Consumption of apparel wool on a scoured basis by United States mills in the first 9 months of 1937 was about 5 percent larger than in the corresponding period of 1936 and was only slightly smaller than the very large consumption in 1935. Since March, however, mill consumption has declined somewhat and in September it was about 20 percent smaller than a year earlier. It now appears probable that mill consumption in the last quarter of this year will be smaller than that of a year earlier.

Chiefly as a result of the weakness in mill demand, wool prices in both domestic and foreign markets continued to decline in October. The situation in the domestic market during the month was very irregular, and prices quoted for the Boston market were almost entirely nominal. The trend in prices in the domestic market has been downward since last April, while prices in foreign markets began to decline in early September.

HOGS

The number of hogs slaughtered in the 1937-38 marketing year, which began October 1, probably will be somewhat smaller than in 1936-37, but larger than in either 1934-35 or 1935-36. Average weights in 1937-38 are expected to be heavier than in 1936-37 when they were below average. The increase in average weights will largely offset the reduction in numbers slaughtered, hence total supplies of hog products in the current year probably will be about as large as a year earlier.

Domestic demand for hog products including both consumer demand and storage demand in the 1937-38 marketing year probably will be less favorable than in 1936-37. Hog prices in 1937-38, therefore, are expected to average lower than in 1936-37.

After some weakness in early October, hog prices declined sharply during the last half of that month. The average price of hogs at Chicago for the week ended October 30 was \$9.08, compared with \$11.76 a month earlier and with \$12.37 in mid-August when prices were at the highest level in several years. The marked decline in recent weeks may be attributed partly to the seasonal increase in the slaughter supplies of hogs and partly to some weakness in storage and consumer demand. Inspected hog slaughter in October, totaling 2,711,000 head, was 33 percent greater than that of September, but it was 22 percent smaller than in the corresponding month last year. The decline in hog prices from the summer peak has been somewhat greater than average and has occurred earlier than usual. Since the increase in supplies in November and December is expected to be less than usual for these months, further declines in hog prices during this period may be small.

Seasonal price movements during the remainder of 1937-38 will be somewhat different from last year since marketings in the last half of 1937-38 are expected to represent a much larger proportion of the total than they did in 1936-37. Unless consumer demand for hog products in the coming winter and spring weakens more than now appears probable, some seasonal advance in hog prices in the late winter and early spring may be expected. With prospects for considerably larger marketings of hogs next summer than a year earlier, hog prices in that period probably will average considerably lower than the relatively high level of prices last summer.

BEEF CATTLE

Slaughter of both cattle and calves in 1938 is expected to be smaller than in 1937. Slaughter of steers probably will not be greatly different from that of 1937, and may be slightly larger; but in those areas in which cattle numbers have been reduced in recent years because of drought it is expected that some restocking will be done, and this will result in fewer cows, heifers, and calves going to slaughter. Because of the larger feed supplies available compared with those of a year earlier, and the relatively wide feeding margins obtained in 1937, however, the number of well-finished cattle for market in 1938 will be much larger than in the current year.

Average weights of cattle slaughtered in 1938 will be considerably heavier than those of 1937, and this increase in weight will offset in part the decrease in numbers slaughtered. Total beef supplies for consumption next year, therefore, probably will be nearly as large as in 1937, and will include a larger proportion of beef of the better grades.

With prospects for relatively large marketings of grain-fed cattle in 1938, and some weakening in consumer demand for meats, prices of the better grades of cattle probably will decline more than seasonally during the first half of the year. Prices of cows and of the lower grades of steers, on the other hand, probably will advance seasonally during the first half of 1938, and are likely to average higher in that period than in the same period a year earlier. The present unusually wide spread between prices of the better grades and lower grades of slaughter cattle is expected to narrow considerably during the next 9 months.

Top prices of the best grades of slaughter steers at Chicago reached \$19.90 per 100 pounds in late September, which was the highest price paid at that market since December 1919. Prices of well-finished cattle were maintained at relatively high levels in October and early November, but supplies of such cattle were unusually small. Prices of practically all other grades of cattle declined somewhat in October, largely because of a seasonal increase in slaughter supplies of cows and heifers, and increased supplies of "warmed-up" and short-fed steers. The spread between the prices of the better grades of cattle and the average price of all cattle slaughtered in recent months has been the widest on record.

LAMBS

Total slaughter supplies of sheep and lambs in the fed-lamb marketing season (December to April 1937-38) may be no larger than a year earlier. The probable larger marketings of fed lambs may be about offset by smaller marketings of other kinds. The average price of lambs for the coming fed lamb season may be lower than that of 1936-37, since the demand for meats and wool may be less favorable than a year earlier. At the beginning of the fed-lamb marketing season, prices of lambs probably will be higher than a year earlier, but the seasonal advance in prices from January to April 1938 is expected to be less than in the corresponding period of 1937.

Present indications are that the number of lambs fed will be larger this season than last in the Corn Belt States, in Texas, and in Colorado; that the number fed will show some reduction in the other Rocky Mountain States, and that a considerably smaller number will be fed in States west of the Continental Divide.

Prices of lambs declined during October but recovered some of the loss in early November. The average price of Good and Choice lambs at Chicago in October was \$10.08, 50 cents lower than in September but \$1.40 higher than October 1 last year. Prices of feeder lambs were relatively steady in October, and during the month the spread between prices of feeder and slaughter lambs narrowed further. Prices of feeder lambs at Omaha continued about \$2 higher than comparable prices in 1936.

Slaughter of sheep and lambs under Federal inspection in October totaling 1,530,000 head was 8 percent smaller than in September and was the smallest for the month since 1929. Although receipts at most markets showed some seasonal increase during the month, a large proportion of the market receipts was feeder lambs from Texas and the range States. Since such lambs were sold for further feeding they did not become a part of the slaughter supply.

DAIRY

The coming winter (1937-38) will probably be one of the most favorable for dairy production since 1930.

Production of feed grains and hay in 1937 was large in relation to live-stock numbers, and feed prices during the current feeding season will average decidedly less than a year earlier. Prices of dairy products in the fall months of 1937 have been higher than in the same months of 1936, and in the winter, 1937-38, will probably average about the same, or somewhat higher, than in the winter of 1936-37. Milk production per cow is likely to average the highest since the winter of 1931-32, and total milk production from October 1937 through May 1938 is expected to show an increase of 3 to 5 percent over the preceding feeding period, most of this increase occurring after January 1. Domestic prices of dairy products are not expected to be sufficiently high in relation to world prices to attract butter imports in the winter months of 1937-38 larger than in the corresponding period of 1936-37.

During the next 3 or 4 years conditions in the dairy industry are likely to average better than during the last 4 or 5 years. The number of milk cows per capita is somewhat below average and no marked increases are probable during 1938. Rising prices for milk cows in 1938 and possibly in 1939, and fairly high prices for dairy products, will tend to increase the numbers of heifers saved and may reduce culling, particularly in the intensive dairy States.

In most general farming areas the tendency will be to increase the production of hogs, beef cattle, and veal, rather than milk, so long as the price of meat animals continues high.

POULTRY AND EGGS

Important developments in the poultry and egg situation are expected to be: (1) a larger hatch in 1938 than in 1937, resulting from a more favorable feed situation; (2) smaller poultry supplies in the first half, but greater in the last half, of 1938 than in the corresponding period of 1937; (3) higher chicken prices in early 1938 than in 1937, due to these smaller supplies, but lower prices in the fall of 1938; (4) higher egg prices throughout 1938, however, than in 1937, because of smaller flocks and a lower rate of egg production expected. Storage stocks of eggs in the fall of 1938, affecting egg prices in the latter part of 1938 are likely to be much lower than in 1937, due to reduced marketings.

While the production of fall and winter broilers this year is expected to be heavy the price is not likely to be depressed to a corresponding extent because of a generally smaller meat supply.

Turkey production in 1937 is estimated at 10 percent less than in 1936. With 1937 prices expected to exceed those of 1936, and possibly 1935, the hatch and production of turkeys in 1938 will probably be increased over 1937.

FRUITS

The average production of all fruits during the next 5 years (1937-41) will probably be larger than the average for the 5-year period (1932-36) just passed.

The increase in citrus production in recent years has offset the declines in apples and grapes. From the present indications it appears that during the next 5 years a somewhat larger total per-capita supply of fruit may be expected, but an increasing proportion of this supply will be comprised of citrus fruits.

The demand for fruits will probably average higher during the next 5-year period than the 5-year period just passed, which included the depression years, with the result that total income from fruit production will probably be somewhat higher. During the remainder of the present marketing year, however, demand conditions are apt to be somewhat lower than during the first part of the season.

Increasing competition may be expected in foreign markets during the next 5 years. Not only is the trend of fruit production upward in most countries for both deciduous and citrus fruits, but many European countries are taking steps to insure a larger production of deciduous fruits and to improve the quality of the crops. On the other hand, the long-time outlook for United States fruit exports has been improved by the modification and reduction of trade barriers that has taken place as a result of the trade agreements the United States has concluded within the last 3 years. In practically all of these agreements some concessions were obtained on fruit from the United States. Moreover, purchasing power has been improving in the principal countries to which the United States exports fruits and should continue to improve during 1938.

(Because of their number, summaries of the separate outlook reports for the individual fruits cannot be included in this abstract. These summaries will be carried in The Fruit Situation for November, which can be obtained upon request to the Bureau of Agricultural Economics, Washington, D.C.)

TRUCK CROPS FOR MARKET

During the past month, seasonal advances occurred in city wholesale market prices of snap beans, carrots, celery, onions, peppers, and tomatoes, and some strengthening of the market occurred for cabbage and spinach, particularly in the Middle West. Very noticeable declines were recorded in wholesale market prices of broccoli, cauliflower, lettuce, and turnips. Other vegetables showed no definite price trend. Peak of the fall movement has been passed for such leading crops as cabbage, onions, and sweetpotatoes, and these commodities will now move largely from storage until the early-crop shipments begin in the South. Already some southern-grown vegetables are arriving in the terminal markets, and winter vegetable shipments will soon begin to come from Cuba and Mexico.

Production of commercial truck crops in 1938 is expected to equal or slightly exceed the record volume of 1937 if yields are about average in 1938. Acreage increases in 1938 are expected for lettuce, onions, and lima beans, with most other commodities holding close to the levels of the 1937 harvested acreage. Some decrease in cabbage acreage is probable in the late Domestic and Danish areas as a reaction to the increased production and low prices of 1937. For the second successive year, a volume record was established in 1937 in the production of commercial truck crops for fresh market shipment. The total tonnage was 3 percent above the previous record made in 1936 and 12 percent above the 5-year (1928-32) average.

Another record production of commercial vegetable crops is imminent in 1938 and this probably will result in forcing price levels downward since some decline is expected in consumer buying power. Because of the large production in 1937 of cabbage, green peas, tomatoes, spinach, and watermelons, part of these crops were left unharvested in some areas, prices being so low that they would not return the marketing costs. One important factor that will tend to reduce the price level of fresh vegetables in 1938 is the carry-over of heavy stocks of canned peas, snap beans, sweet corn, lima beans, and other vegetables into the 1938 marketing season. Further competition will be experienced on account of the increase in "frozen" vegetable supplies in 1937.

Acreage indications for 11 commercial truck crops from which production will move to market during the coming winter and early spring months show a decrease of 6 percent below the preceding year. The total acreage for these early vegetable crops, however, is indicated to be 46 percent above average. Increases for 1938 over the previous year occur in the acreage of carrots, eggplant, and peppers, while decreases are reported in the acreage of artichokes, snap beans, cabbage, cauliflower, celery, cucumbers, spinach, and tomatoes. The growers' intentions report dated October 1, 1937, indicates that the acreage of asparagus for harvest in 1938 has been increased 4 percent. A slight general decrease in acreages of vegetables as reported by the Southern States is expected to be more than offset by increases in the intermediate and late groups of States.

Plantings of vegetables in Cuba have been practically completed. The total acreage is expected to be less than the 40,900 acres planted last season because of unfavorable weather conditions at planting time. Total exports of tomatoes are tentatively estimated at 1,200,000 lugs against 1,643,000 lugs in 1936-37. Plantings of potatoes exceed the 15,300 acres of last season but this is not an important export crop. It is expected that the acreage in lima beans, eggplant, cucumbers, green peppers, okra, and other vegetables will be about the same as last year.

It is too early for definite information concerning plantings in the Mexican West Coast vegetable region, but recent reports indicate that plantings of tomatoes will exceed the 14,400 acres planted in 1936 by a wide margin. The area utilized for green peas, peppers, and string beans will probably be smaller than last season.

TRUCK CROPS FOR COMMERCIAL MANUFACTURE

The total supply of canned vegetables for 1937-38 is expected to be 15 to 20 percent above that of last year. It appears to be somewhat larger than necessary to provide for normal domestic consumption in 1937-38 and to replenish carry-over stocks, which reached unusually low levels at the beginning of the 1936-37 marketing year and continued low into the 1937-38 season.

Chiefly because of this large supply, average wholesale prices of canned vegetables are currently from 20 to 25 percent below the level of a year ago. These lower prices in turn are likely to cause canners to contract with growers for less acreage in 1938 than in 1937. The level of wholesale prices of canned vegetables in December and January has in the past exerted a considerable influence upon the prices at which canners will offer to contract acreage in the following season.

Although acreage planted in 1937 appears to be only about 2 percent above that of 1936, production has risen approximately 15 percent because of increased yields. This slight expansion in acreage constituted a break in the 5-year cycle (3 years of expansion followed by 2 of contraction) which has characterized these crops in the past. With the present heavy supplies of canned vegetables and relatively low prices, the typical downward movement of acreage may be resumed in 1938.

Supplies of three of the major canned vegetables, snapbeans, sweet corn, and green peas, are considerably larger than in 1936, and current prices are lower. Supplies of canned tomatoes are at approximately the level of 1936-37, and prices are about the same as a year ago. Tomato supplies would have been larger but for the fact that unfavorable growing conditions in August and September reduced yields, so that the production of tomatoes is indicated to be about 10 percent below that of 1936. For most of the minor canning crops, the situation parallels that of canning crops in general.

POTATOES

Potato prices at market centers show little change from a month ago although there is some evidence of a slight strengthening tendency among some varieties in the East. The price of green mountains advanced about 15 cents per hundred-pound bags at New York while Russets declined about 10 cents during the past month. At Chicago prices of nearly all varieties except Red McClures averaged about the same as a month ago. Prices of Red McClures advanced about 10 cents per 100 pounds.

The harvest of potatoes in the late States was nearly completed by November 1 and yields per acre have not turned out as high as expected earlier in the season. Dry weather during the latter part of the growing season in some of the central States reduced yields considerably. The United States crop is indicated to be 392 million bushels as of November 1 compared with 330 million bushels produced last year and the 1928-32 average of 372 million bushels. The late crop was reduced by about 7 million bushels in October and is now indicated to total 317 million bushels or about 40 million bushels more than in 1936 and 17 million more than the average for 1928-32. Production in the 8 eastern late States is 111 million bushels, or nearly 5 million more than last year; in the 10 central States it is 115 million bushels or 24 million more, and in the 12 western States about 91 million bushels or approximately 11 million more than in 1936.

Because of the increased production this season potato prices are generally below those of last season. These lower prices are expected to about offset the effect of the higher prices in 1936, and cause growers to plant about the same number of acres to potatoes in 1938 as they did in 1937. It is probable that producers in the early and intermediate States will decrease plantings in 1938 but these decreases probably will be offset by slight increases in the late States. A total United States acreage in 1938 about the same as in 1937 with average yields probably would result in a total potato crop of about 365 million bushels.

SWEETPOTATOES

Sweetpotato acreage in 1938 is expected to increase about 20 percent above the acreage harvested in 1937. With average yields, this would mean a production of about 88 million bushels, or an increase of about 20 percent above the 1937 production. An increase in production normally tends to depress the price of sweetpotatoes. It is probable therefore that, with a larger prospective crop in 1938, sweetpotato prices will average lower than those received for the 1937 crop.

TOBACCO

The 1938 outlook for most types and classes of tobacco, flue-cured and fire-cured being notable exceptions, appears to be fairly satisfactory. In the case of flue-cured tobacco, owing to the anticipated increase of stocks resulting from the large 1937 crop, prospects are less favorable than a year ago.

With domestic consumption expected to show a further slight increase and with larger exports, disappearance of tobacco in 1937-38 is expected to be the highest in recent years. For most types other than flue-cured, stocks at the beginning of the 1938-39 marketing season are likely to be fairly well in line with prospective disappearance. The marketing situation in 1938 will largely depend, therefore, upon the ability of growers to keep their 1938 production reasonably well in line with domestic consumption and exports.

The 1937 tobacco crop according to November estimates will be 1,485,148,000 pounds. This figure is only slightly above the 1928-32 average production but nearly 29 percent larger than the small 1936 crop. The indicated crop is somewhat larger than the prospective disappearance of 1937-38 and will result in moderately increased stocks.

The prospects are for some further increase in cigarette and cigar consumption in 1938; but no significant change appears likely in the consumption of chewing tobacco, smoking tobacco, and snuff.

Foreign demand prospects for the 1937 crop of flue-cured tobacco, which comprises about three-fourths of our total leaf tobacco exports, are favorable. For burley, Maryland, and dark air-cured, the foreign market is expected to continue at near the present level. The outlook for fire-cured types, on the other hand, continues to be unfavorable.

NOTES:

- 1/ Department of Commerce index of "national income paid out", 1929 = 100. Comprises the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties for these services.
- 2/ Industrial Relations Division of the Agricultural Adjustment Administration, 1924-29 = 100, adjusted for seasonal variation. Entire series was revised in July 1937.
- 3/ Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
- 4/ Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment.
- 5/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees.
- 6/ Bureau of Agricultural Economics, 1923-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries - United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland. Series was revised from January 1920 through July 1935 in July 1937 - and from August 1935 through August 1937 in November 1937.
- 7/ Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
- 8/ Bureau of Labor Statistics index, 1913 = 100.
- 9/ Bureau of Agricultural Economics, August 1909-July 1914 = 100.
- 10/ Bureau of Agricultural Economics, 1910-14 = 100.
- 11/ Preliminary.

